

Institution **CIOT - ATT**
Course **ATT Paper 1 Personal Taxation**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID

Count (s)	Word (s)	Char (s)	Char (s) (WS)
Section 1	99	437	530
Section 2	42	148	188
Section 3	163	700	863
Section 4	78	354	433
Section 5	167	782	945
Section 6	126	590	780
Section 7	164	726	890
Section 8	26	96	120
Section 9	119	510	628
Section 10	34	162	194
Section 11	128	559	682
Section 12	303	1257	1558

Answer-to-Question- _1_

Company Name	Type of Shares	Eligibility	Reason
A Ltd	Unquoted UK Trading Company	Yes	Any Number of shares in an unquoted trading company qualify

B plc - This will not qualify as it is from a quoted trading company and Ranvir's sister Ramona has less than 5% voting rights as they aren't involved in the business. This means Ranvir will pay capital gains tax on the disposal of these shares

C plc - Will not qualify as these are from an investment company, not a trading company

D ltd - Yes as these are from an unquoted trading company

-----ANSWER-1-ABOVE-----

-----ANSWER-2-BELOW-----

Answer-to-Question- 2

X PLC

$$241.90 + 243.30 = 485.20$$

$$485 / 2 = 243 \text{ pence}$$

$$7500 \times \text{£}0.243 = 1822.5$$

HL Fund

For unit trusts the market value is the lower price of the two, making it 168 pence

$$6,800 \times \text{£}0.168 = 1142.4$$

-----ANSWER-2-ABOVE-----

-----ANSWER-3-BELOW-----

Answer-to-Question- 3

The UK allows for foreign tax paid on income which has been charged to UK income tax to be given as a tax credit for the income tax computation. This is given before credit for UK tax e.g. UK PAYE. The tax credit that is available in the UK would be the lower of the overseas tax suffered or the UK tax liability on that foreign income.

For her foreign income we would need to work out the gross amount as opposed to the net amount we have been given so we could work out the foreign tax suffered. On the basis that Francesca is an additional rate taxpayer, her marginal rate of tax would be 45% in the UK. Therefore, given that her French interest income was received net of 42% withholding and her property income from Spain was received net of 25% withholding, it is likely that the overseas tax would be the credit to use on Francesca's income tax computation.

-----ANSWER-3-ABOVE-----

-----ANSWER-4-BELOW-----

Answer-to-Question- 4

The gross amount of any loans to buy machinery would be paid gross and deducted in the income tax computation. In this case, Michael buying a printer and other office equipment.

Company loan stock interest is received net of a 20% tax credit. Therefore, the gross figure of this would be taxed as normal savings income and then the tax credit of the difference between the gross and net figures is deducted to find out the tax due.

-----ANSWER-4-ABOVE-----

-----ANSWER-5-BELOW-----

Answer-to-Question- 5
 $2608 \times 100/80 = 3260$

$1232 \times 100/55 = 2240$
 $2240 - 1232 = 1008$

$3260 + 2240 = 5500$

The interest Ammar has received from his interest in possession trust will be taxable as non-savings income and will need to be grossed up before being included in his income tax computation. This gross figure of £3260, which has been grossed up as it was recieved net of basic rate income tax, is then implemented into the income tax computation.

The dividends are treated slightly differently and they are taxed as dividend income. Due to the gross trust income of £5500 exceeding the £5,000 exemption on the accrued income scheme, we would not be able to deduct this from Ammar. Therefore, the dividend allowance would be applied making the gross amount of £2240, only £1240 would be taxable after deducting the dividend allowance of £1000

Ammar has a tax credit of £1008 that he can deduct from his income tax liability due to this coming from a discretionary trust.

-----ANSWER-5-ABOVE-----

-----ANSWER-6-BELOW-----

Answer-to-Question- 6

The voluntary termination payment will have no national insurance due on it, as this is not contractual and is not regarded as earnings. However, for income tax anything over £30,000 would be due for taxation, in this case £45,000 would be due. This qualifies as an ex gratia payment as Harry was surprised by Potter Plc as he was only expecting the restraint of trade payment.

Harry's earnings exceed the upper earnings limit, hence he would have NIC deducted at 2%. He is an additional rate taxpayer so will be taxable at 45%.

Restraint of Trade Payment	- 25,000
Voluntary Payment	- 45,000
Company Car	- 18,000
Pension Contribution	-(10,000)
Net Income (excl Salary)	- 78,000

Tax at 45%	-	35,100
NIC at 2%	-	1560

-----ANSWER-6-ABOVE-----

-----ANSWER-7-BELOW-----

Answer-to-Question- 7

The original filing date for Diana to file her return would have been the 31st January 2023.

A taxpayer has, 12 months after the end of the tax year to amend their return, in Diana's case seen as this was made on the 16th November 2023, before the 31st January 2024, she could make the necessary changes.

HMRC would have to amend this arithmetic error by the 28th February 2024 as this is 9 months after they received Dianna's tax return.

For HMRC to make an enquiry into Diana's atx return, they would need to do this before the 30th May 2024, 12 months after receing the return.

For Diana to appeal the amendmendts required in the closure notice, she would need to appeal this in writing within 30 days of the amendements being made.

Diana would be required to retain records for 22 months after the end of the tax year, meaning she would need to keep these until the 30th November 2024.

-----ANSWER-7-ABOVE-----

-----ANSWER-8-BELOW-----

Answer-to-Question- 8

$$55 - 20 = 35 \text{ years}$$

$$130,000 \times 0.91981 = 119,575$$

$$130,000 \times 75,000 / 75,000 + 119,575 = 50,109$$

$$75,000 - 50,109 = 24,891 \text{ Gain}$$

-----ANSWER-8-ABOVE-----

-----ANSWER-9-BELOW-----

Answer-to-Question- 9

FHL

Bramble Cottage - Wouldn't qualify for furnished holiday lettings (FHL) as it is was only let for 90 days, not exceedint the necessary 105 day threshold

Orhcard House - Wouldn't qualify as it would need to be avialble for more than 210 days, this is available for only 200 days.

The other properties would qualify as they are in the UK, furnished, available for more than 210 days, acutally let for more than 105 days and Carlos only allowed them to saty for a maximum of three weeks so there was no one that was there for a longer term occupation for not more than 155 days.

Rent

$800 \times 9 = \text{£}7200$ would be taxable for 2023/24

-----ANSWER-9-ABOVE-----

-----ANSWER-10-BELOW-----

Answer-to-Question- 10

Fiona's Son

$75,000 - 40,000 = 35,000$ (Held over gain from gift relief)

$75,000 - 35,000 = 40,000$ (David's cost basis)

$120,000 - 40,000 = \text{£}80,000$ Gain

Fiona's Husband

$120,000 - 45,000 = \text{£}75,000$ Gain

-----ANSWER-10-ABOVE-----

-----ANSWER-11-BELOW-----

Answer-to-Question- _11_

1)

$$200,000 \times 0.3 = \text{£}60,000$$

Sally's investment exceeds the £200,000 threshold so she would only be able to claim back £60,000. Meaning she wouldn't be able to make a claim on the additional £50,000 she invested.

2)

$$50,000 / 250,000 = 0.2$$

$$12,300 \times 0.2 = 2460$$

Seen as dividends from a VCT are tax free on the first £200,000 invested, this means dividends on the remaining £50,000 will be taxable. Meaning £2460 would be taxable.

3)

$$210,000 \times 30\% = 63,000$$

Seen as Sally sold these shares within 5 years of acquiring them, she would be able to claim an income tax relief of the sale proceeds multiplied by 30%, seen as she made a loss on them. Meaning her income tax relief would be £63,000.

-----ANSWER-11-ABOVE-----

-----ANSWER-12-BELOW-----

Answer-to-Question- 12

Raoul wouldn't meet any of the tests for non-resident, due to him tax resident for the last 5 years the 16 day threshold would apply to him and Raoul will spend 61 days in the UK so this wouldn't apply. Also Raoul is retired so would not be working overseas.

A

Raoul would not meet the first test for automatic resident in the UK as he would be spending less than 183 days in the UK in the tax year. He also wouldn't qualify for the second test as he would have a UK home for at least 91 consecutive days, including 30 days in the tax year, however he has a holiday home available to him in Florida so this would not allow him to qualify for this. Raoul would also not work full time in the UK, as he is retired so he wouldn't qualify on this basis either. Therefore, we would need to look at the sufficient ties test.

Raoul would have three ties to the UK which would be: the fact that he spent more than 90 days in the UK in either of the two previous tax years, he would have accommodation in the UK and he would spend as many days in the UK as any other country. The work tie wouldn't apply as he is retired and we are also unaware of any family so that tie wouldn't apply either.

Therefore, this means for Raoul to be considered non-resident he would need to spend less than 46 days in UK in the tax year

Based on Raoul's circumstances, I would expect him to be considered a UK tax resident for the 2023/24 tax year. This is because he expects to spend 61 days living in his UK home in the 2023/24 tax year, breaking the previously discussed 46 day threshold.

-----ANSWER-12-ABOVE-----

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Section 13	272	1212	1616
Section 14	395	1722	2115
Section 15	97	420	526
Section 16	294	1289	1580

-----ANSWER-13-BELOW-----

Answer-to-Question- 13

Loan Interest

$$30,000 \times 0.01 \times 10/12 = 250$$

$$25,000 \times 0.01 \times 2/12 = 42$$

$$\text{Total interest} = \text{£}292$$

Company Car

List Price - £36,000

Contributions - (500)

$$\text{Revised List Price} = 36000 - 500 = 35,500$$

$$114 - 75 = 39$$

$$39 / 5 = 7.8$$

$$20\% + 7\% = 27\%$$

$$35,500 \times 0.27 = 9585$$

Pension

$$80,000 \times 0.05 = 4000$$

Gift Aid

£7,800 to be deducted as quoted shares

Income Tax Proforma

NSI Interest	
Salary	80,000
Company Car	9,585
Medical Insurance	1,450
Debt	1,350
Pension	4,000
Interest	2000
Taxable Income	96,385 2000
Loan Interest	(292)
Gift Aid	(7,800)
Less PA	(12,570)
Net Income	75,723 2000

37,700 at 20% 7,540

38,023 at 40% 15,209

500 at 0% 0

1500 at 40% 600

Income Tax 23,349

Less: PAYE (19,000)

Income Tax payable = **£4349**

Class 1a Contributions

$75,723 \times 13.8\% = 10449.774$

£10,450 would be due by the 22nd July 2024 if made electronically, if not this would be the 19th July 2024.

Dismissal

The law recognises that jury service is a civil duty, and employees are legally protected on these grounds from dismissal. This would be expected to be treated as unfair dismissal by Catcher Ltd as employers are expected to accomodate such civic obligations.

If Holden is successful in this claim, he would be entitled to something known as a basic award which would prbbaly be the case as he was employed in 2023/24. This would account for his length of services (years, his weekly pay (cap of £643)and also his age bracket. This information would determine what Holden would be owed by his employer for unfair dismissal.

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-----ANSWER-13-ABOVE-----

-----ANSWER-14-BELOW-----

Answer-to-Question- _14_

1)

Tomas would have initially been UK domiciled as his father was UK domiciled at the time making this Tomas's domicile of origin. But then his Dad moved himself and Tomas to Ruritania when Tomas was 3. His dad then acquired Ruritania as a domicile of choice and given Tomas's age this would mean he would be considered a Ruritania domicile. And then when Tomas turned 16 he worked for Spike Ltd in Ruritania and intended to settle there.

Despite Tomas returning to the UK at 45 years old for 2 years, this would not change his domicile status as he would still have significant ties to Ruritania, and he also planned to return after the end of this 2 year contract.

Due to Tomas owning several properties in Ruritania from which he receives rental income from (also including capital gains on a disposal of one or more of the properties) and also spending a significant amount of time in the country, it would be expected that he would be considered a non-UK domicile.

This means Tomas would be able to claim the remittance basis of taxation which would allow him to exempt any foreign income and capital gains whilst he is UK resident from UK taxation, as long as this income is not remitted to the UK. This would only apply to income earned after he became a UK resident, as the UK would then look to tax his worldwide income. This could be useful for any rental income Tomas receives from his properties in Ruritania, if this is kept outside of the UK in an overseas bank account then it would not be subject to UK taxation.

2)

Seen as Jerome has brought in money from his Freedomia bank account this would be subject to UK tax. The income used for to buy UK gifts would be taxable in the UK.

However the gift offshore to his son would be taxable at the point that his son brought this income into the UK. Seen as this is Jerome's income he would suffer the tax liability arising from the remittance of this income.

3)

The income used to buy UK gifts would be deemed to be remitted first and then when his son brings the income he has been gifted in the UK, that is when this would be considered remitted into the UK.

-----ANSWER-14-ABOVE-----

-----ANSWER-15-BELOW-----

Answer-to-Question- 15

For a share for share exchange, there would be no disposal for capital gains tax purposes on the small ltd shares which were swapped for big plc shares.

A chargeable gain then only arises if all or part of the consideration given to the vendor on a takeover includes cash.

$$50,000 / (50,000 + 30,000) \times 25,000 = 15625$$

Proceeds 50,000
Less Cost (15625)
Gain 34375
Less AEA (6000)
Gain 28375

$$28375 \times 20\% = 5675 \text{ CGT Liability}$$

The capital gains tax would have to be paid by the 31st January 2025 for the 2023/24 tax year.

-----ANSWER-15-ABOVE-----

-----ANSWER-16-BELOW-----

Answer-to-Question- 16

Jamie owned the house for 13 years, however didn't occupy the home for all this time. He couldn't live in it for the first year as it was being renovated, after this he then lived there for 4 years. In 2015, Jamie moved out to live with his partner before returning a year later to live in it for another 5 years. He moved out in 2021 before selling the house in 2023.

Therefore, he was absent for 4 years in total. We will be calim back 3 years and 9 months of this however as HMRC allows 3 years of deemed occupation for any reason and the the last 9 months of onwership will qualfiy also.

13 x 12 = 156 (Number of Months)

153 (Deemed Occupation)

$700,000 \times 153 / 156 = 686538.4615 = \text{£}686,538$

$700,000 - 686,538 = \text{£}13,462$ gain

Therefore given that this was Jamies main residence this would be able to qualify for private residence relief so therefore he would only have to pay capital gains on a gain of £13,462, with £686,538 being deducted from the oriignal gain of £700,000 due to his deemed occupation in the property.

Jamie would unofrutnately not qualify for lettings relief, as he was living elsewhere whisl't he had tenants living in his property. If Jamie was living with his tenants when his property was let out then he would qualify for lettings relief, however this was not the case so it doesn't apply.

2)

Seen as this is the sale of a residential property, Jamie would need to file a Capital Gains Tax Return using the 'capital gains on UK property' online service within 60 days of seeling the property. Therefore, this would need to be done by the 31st October 2023.

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